

**ALLISON-BRISTOW
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Revenues, Expenses and Changes in Net Assets	G 21
Statement of Cash Flows	H 22
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	I 23
Statement of Changes in Fiduciary Net Assets	J 24
Notes to Financial Statements	25-32
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	33
Notes to Required Supplementary Information - Budgetary Reporting	34
Other Supplementary Information:	<u>Schedule</u>
Non-major Special Revenue Funds:	
Combining Balance Sheet	1 35
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 36
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 37
Schedule of Changes in Private Purpose Trusts	4 38
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5 39
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	40-41
Schedule of Findings	42-43

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

BOARD OF EDUCATION

(Before September, 2004 Election)

Dale Johnson	President	2004
Eric Bixby	Vice President	2005
Anne Scroggin		2006
Sue Reiher		2006
Jon Heuer		2004

(After September, 2004 Election)

Eric Bixby	President	2005
Anne Scroggin	Vice President	2006
John Morris		2007
Sue Reiher		2006
Jon Heuer		2007

SCHOOL OFFICIALS

Warren Davison	Superintendent
Noreen Wiegmann	District Secretary/ Treasurer

Independent Auditor's Report

To The Board of Education of the
Allison-Bristow Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Allison-Bristow Community School District, Allison, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Allison-Bristow Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated November 8, 2005 on our consideration of Allison-Bristow Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allison-Bristow Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

November 8, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Allison-Bristow Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,696,791 in fiscal 2004 to \$2,789,517 in fiscal 2005, while General Fund expenditures decreased from \$2,818,967 in fiscal year 2004 to \$2,784,890 in fiscal 2005. The District's General Fund balance increased from \$256,592 in fiscal 2004 to \$268,281 in fiscal 2005, a 5% increase.
- The District received \$34,438 in a Federal Small Rural Schools Achievement Grant as part of the Rural Education Achievement Program.
- The District's Certified Enrollment dropped from 342.2 students in September 2003 to 318 students in September 2004.
- The difference between the open enrollment out and the open enrollment in decreased by 13.2 students from 2003-04 to 2004-05. The net difference between the District's open enrollment in (positive financial impact) and its open enrollment out (negative financial impact) was a negative 5.2 students.
- Whole grade sharing with Greene Community School District of grades 5-12 began July 1, 2004, Instructional costs, transportation (excluding extra curricular) were shared on a prorata of students enrolled from each district in grades 5-12. Savings due to sharing were the primary reason for a decrease in General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Allison-Bristow Community School District

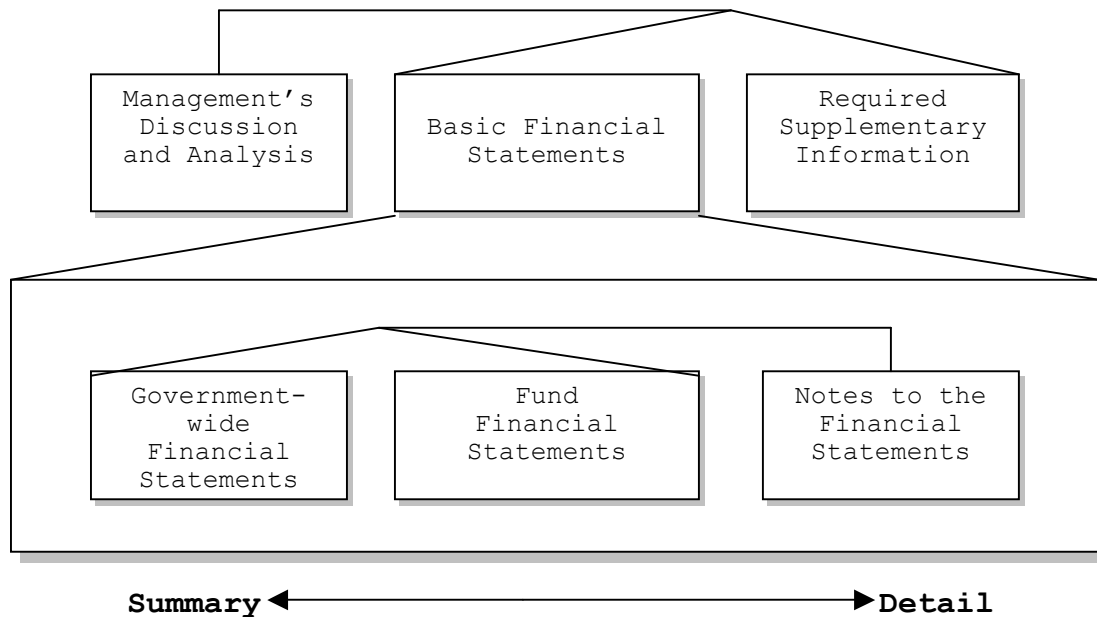


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid, finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects Fund, Special Revenue Funds, and Debt Service Fund. Most of the District's basic services are included here, such as regular education, special education, building and grounds maintenance, transportation, and administration. Most of these activities are funded with property taxes, local option sales tax and state aid financing.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Current assets	2,628	2,182	3	7	2,631	2,189	20.19%
Capital assets	1,863	1,811	5	10	1,868	1,821	2.58%
Total assets	4,491	3,993	8	17	4,499	4,010	12.19%
Current liabilities	2,033	1,897	1	4	2,034	1,901	7.00%
Non-current liabilities	447	365	-	-	447	365	22.47%
Total liabilities	2,480	2,262	1	4	2,481	2,266	9.49%
Net Assets							
Invested in capital assets, net of related debt	1,416	1,256	5	10	1,421	1,266	12.24%
Restricted	270	218	-	-	270	218	23.85%
Unrestricted	325	257	2	3	327	260	25.77%
Total net assets	2,011	1,731	7	13	2,018	1,744	15.71%

The District's net assets increased by over \$67,000 during the year ending June 30, 2005. The primary reason for this increase was the imposition of the local option sales tax in Butler County. The District's General Fund also increased, due in part to savings achieved by sharing with the Greene Community School District.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4 Change in Net Assets (expressed in thousands)			
	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	237	69	306
Operating grants, contributions and restricted interest	419	53	472
General revenues:			
Property tax	1,322	-	1,322
Income surtax	123	-	123
Local option sales tax	143	-	143
Unrestricted state grants	1,085	-	1,085
Unrestricted investment earnings	6	-	6
Other	18	-	18
Total revenues	<u>3,353</u>	<u>122</u>	<u>3,475</u>
Program expenses:			
Governmental activities:			
Instruction	1,818	-	1,818
Support Services	1,030	-	1,030
Non-instructional programs	11	126	137
Other expenses	215	-	215
Total expenses	<u>3,074</u>	<u>126</u>	<u>3,200</u>
Change in net assets	<u>279</u>	<u>(4)</u>	<u>275</u>

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 89% of the total expenses.

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$3,353,637 and expenses were \$3,074,264.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5		
Total and Net Cost of Governmental Activities		
(expressed in thousands)		
	Total Cost of Services	Net Cost of Services
	\$	\$
Instruction	1,818	1,300
Support Services	1,030	989
Non-instructional programs	11	11
Other expenses	<u>215</u>	<u>117</u>
Totals	<u><u>3,074</u></u>	<u><u>2,417</u></u>

- The cost financed by users of the District's programs was \$237,644.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$342,293.
- The net cost of governmental activities was financed with \$1,321,552 in property tax, \$1,084,756 in state foundation aid, and \$5,862 in interest income.

PROPRIETARY-TYPE FUNDS

Revenues for the District's School Nutrition Fund were \$121,656 and expenses were \$126,475. The revenues include charges for services, contributions, and federal and state reimbursements.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Allison-Bristow Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$2,010,650, which is 16% greater than last year's ending fund balance of \$1,731,277.

GOVERNMENTAL FUND HIGHLIGHTS

Several factors contributed to the small increase of the fund balance in the District's governmental funds. Some of these factors were unexpected; some were deliberately planned.

- Cost savings were realized due to whole grade sharing with the Greene Community School District.
- State and local revenues increased from the prior year.
- Local option sales tax began to be collected in 2004.

PROPRIETARY FUND HIGHLIGHTS

School Nutrition Fund net assets decreased from \$12,185 at June 30, 2004 to \$7,366 at June 30, 2005, representing a decrease of approximately 40%.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year. During fiscal year 2005, budgeted expenditures exceeded actual expenditures in total.

CAPITAL ASSETS

The District has invested more than \$1.8 million by the end of fiscal year 2005 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. Total depreciation expenses for the year exceeded \$70,000.

LONG-TERM DEBT

The District had \$447,076 in general obligation bonds and other long-term debt outstanding. This represents a decrease of \$107,924 from the previous year.

The District had total outstanding bonded indebtedness (including interest) on June 30, 2005, of \$340,293. The principal and interest on the bonds will be paid in full by June 1, 2007. The District makes principal and interest payments annually on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds.

The district built an addition to the elementary school in 1996 using money obtained through capital loan notes. The money generated through the physical plant and equipment levy is used to pay off the principal and interest on the capital loan notes. At the end of the fiscal year 2005 the district still owed \$47,205 in principal and interest on the capital loan notes. The last payment will be made June 1, 2006.

The District bought two buses in 2005. There remains \$82,076 of debt that will be paid in two equal payments of \$41,038.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- In January 2004, the voters of Butler County approved a ten-year School Infrastructure Local Option sales tax, which will provide funds for property tax reduction and school infrastructure projects affecting the Physical Plant and Equipment Levy Fund, Capital Projects, and Debt Service Funds of the District beginning July 2004.
- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10 year period. The District was on budget guarantee for Fiscal Year 2004 and will continue to be on budget guarantee for several years to come. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.

- In June 2007, the District will complete its payment of its bonded indebtedness for the high school addition.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Noreen Wiegmann, District Secretary/Treasurer and Business Manager, Allison-Bristow Community School District, 513 Birch Street, Allison, Iowa 50602.

Basic Financial Statements

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	425,146	1,039	426,185
ISCAP investments	660,646	-	660,646
Receivables:			
Property tax:			
Current year	29,663	-	29,663
Succeeding year	1,362,768	-	1,362,768
Income surtax - succeeding year	56,888	-	56,888
Due from other governments	88,351	-	88,351
ISCAP accrued interest receivable	2,468	-	2,468
Other receivables	2,238	-	2,238
Inventories	-	1,941	1,941
Capital assets, net of accumulated depreciation	1,862,535	5,112	1,867,647
Total assets	4,490,703	8,092	4,498,795
Liabilities			
Accounts payable	8,490	726	9,216
Accrued interest payable	1,297	-	1,297
Deferred revenue:			
Succeeding year property tax	1,362,768	-	1,362,768
ISCAP warrants payable	658,000	-	658,000
ISCAP accrued interest payable	2,422	-	2,422
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	155,000	-	155,000
Capital loan notes payable	45,000	-	45,000
Bus loan payable	41,038	-	41,038
Portion due after one year:			
General obligation bonds payable	165,000	-	165,000
Bus loan payable	41,038	-	41,038
Total liabilities	2,480,053	726	2,480,779
Net assets			
Invested in capital assets, net of related debt	1,415,459	5,112	1,420,571
Restricted for:			
Management levy	15,635	-	15,635
Student activities	14,835	-	14,835
Physical plant and equipment levy	11,212	-	11,212
Debt service	84,921	-	84,921
Capital projects	143,419	-	143,419
Unrestricted	325,169	2,254	327,423
Total net assets	2,010,650	7,366	2,018,016

See notes to financial statements.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	1,299,734	131,306	173,701	(994,727)	-	(994,727)
Special instruction	381,634	68,624	102,397	(210,613)	-	(210,613)
Other instruction	136,853	-	41,890	(94,963)	-	(94,963)
	<u>1,818,221</u>	<u>199,930</u>	<u>317,988</u>	<u>(1,300,303)</u>	<u>-</u>	<u>(1,300,303)</u>
Support services:						
Student services	11,054	-	-	(11,054)	-	(11,054)
Instructional staff services	56,913	-	-	(56,913)	-	(56,913)
Administration services	505,929	-	-	(505,929)	-	(505,929)
Operation and maintenance of plant services	267,208	-	1,940	(265,268)	-	(265,268)
Transportation services	188,483	37,714	607	(150,162)	-	(150,162)
	<u>1,029,587</u>	<u>37,714</u>	<u>2,547</u>	<u>(989,326)</u>	<u>-</u>	<u>(989,326)</u>
Non-instructional programs:						
Food service operations	11,230	-	-	(11,230)	-	(11,230)
Other expenditures:						
AEA flowthrough	97,069	-	97,069	-	-	-
Long-term debt services	550	-	-	(550)	-	(550)
Long-term debt interest	18,629	-	1,190	(17,439)	-	(17,439)
Facilities acquisition and construction	51,602	-	86	(51,516)	-	(51,516)
Depreciation (unallocated) *	47,376	-	-	(47,376)	-	(47,376)
	<u>215,226</u>	<u>-</u>	<u>98,345</u>	<u>(116,881)</u>	<u>-</u>	<u>(116,881)</u>
Total governmental activities	3,074,264	237,644	418,880	(2,417,740)	-	(2,417,740)

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues					
		Charges for	Operating Grants, Contributions and Restricted Interest	Governmental	Business-Type	Total
Expenses	Service			Activities	Activities	
\$	\$	\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs:						
Nutrition services	126,475	69,130	52,526	-	(4,819)	(4,819)
Total	<u>3,200,739</u>	<u>306,774</u>	<u>471,406</u>	<u>(2,417,740)</u>	<u>(4,819)</u>	<u>(2,422,559)</u>
General revenues:						
Property tax levied for:						
General purposes				1,009,821	-	1,009,821
Management levy				74,970	-	74,970
Debt service				161,574	-	161,574
Capital outlay				75,187	-	75,187
Income surtax				123,267	-	123,267
Local option sales tax				143,333	-	143,333
Unrestricted state grants				1,084,756	-	1,084,756
Unrestricted investment earnings				5,862	-	5,862
Other				18,343	-	18,343
Total general revenue				<u>2,697,113</u>	<u>-</u>	<u>2,697,113</u>
Change in net assets				279,373	(4,819)	274,554
Net assets beginning of year				<u>1,731,277</u>	<u>12,185</u>	<u>1,743,462</u>
Net assets end of year				<u>2,010,650</u>	<u>7,366</u>	<u>2,018,016</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	241,426	80,796	63,948	38,976	425,146
ISCAP investments	660,646	-	-	-	660,646
Receivables:					
Property tax:					
Current year	21,103	5,422	-	3,138	29,663
Succeeding year	1,015,572	168,663	-	178,533	1,362,768
Income surtax - succeeding year	56,888	-	-	-	56,888
Due from other governments	8,880	-	79,471	-	88,351
ISCAP accrued interest receivable	2,468	-	-	-	2,468
Other receivables	618	-	-	1,620	2,238
Total assets	<u>2,007,601</u>	<u>254,881</u>	<u>143,419</u>	<u>222,267</u>	<u>2,628,168</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	6,438	-	-	2,052	8,490
ISCAP warrants payable	658,000	-	-	-	658,000
ISCAP accrued interest payable	2,422	-	-	-	2,422
Deferred revenue:					
Succeeding year property tax	1,015,572	168,663	-	178,533	1,362,768
Succeeding year income surtax	56,888	-	-	-	56,888
Total liabilities	<u>1,739,320</u>	<u>168,663</u>	<u>-</u>	<u>180,585</u>	<u>2,088,568</u>
Fund balances:					
Reserved for debt service	-	86,218	-	-	86,218
Reserved for capital projects	-	-	143,419	-	143,419
Unreserved	268,281	-	-	41,682	309,963
Total fund equity and other credits	<u>268,281</u>	<u>86,218</u>	<u>143,419</u>	<u>41,682</u>	<u>539,600</u>
Total liabilities and fund balances	<u>2,007,601</u>	<u>254,881</u>	<u>143,419</u>	<u>222,267</u>	<u>2,628,168</u>

See notes to financial statements.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (Exhibit C)		\$ 539,600
Amounts reported for governmental activities in the statement of net assets are different because:		
Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.		56,888
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,862,535
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds		(1,297)
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds		
General obligation bonds	(320,000)	
Capital loan notes	(45,000)	
Bus loan payable	<u>(82,076)</u>	
		<u>(447,076)</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 2,010,650</u></u>

See notes to financial statements.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources					
Local tax	1,076,200	161,574	143,333	150,157	1,531,264
Tuition	199,930	-	-	-	199,930
Other	86,338	1,190	86	43,830	131,444
State sources	1,321,494	-	-	-	1,321,494
Federal sources	105,555	-	-	-	105,555
Total revenues	<u>2,789,517</u>	<u>162,764</u>	<u>143,419</u>	<u>193,987</u>	<u>3,289,687</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,265,849	-	-	33,885	1,299,734
Special instruction	381,634	-	-	-	381,634
Other instruction	84,371	-	-	52,482	136,853
	<u>1,731,854</u>	<u>-</u>	<u>-</u>	<u>86,367</u>	<u>1,818,221</u>
Support services:					
Student services	11,054	-	-	-	11,054
Instructional staff services	56,913	-	-	-	56,913
Administration services	499,467	-	-	6,462	505,929
Operation and maintenance of plant services	226,138	-	-	41,070	267,208
Transportation services	154,511	-	-	132,991	287,502
	<u>948,083</u>	<u>-</u>	<u>-</u>	<u>180,523</u>	<u>1,128,606</u>
Non-instructional programs:					
Food service operations	<u>7,884</u>	<u>-</u>	<u>-</u>	<u>3,346</u>	<u>11,230</u>

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Other expenditures:					
AEA flowthrough	97,069	-	-	-	97,069
Long-term debt:					
Services	-	550	-	-	550
Principal	-	231,038	-	-	231,038
Interest	-	19,308	-	-	19,308
Facilities acquisition and construction	-	-	-	51,602	51,602
	<u>97,069</u>	<u>250,896</u>	<u>-</u>	<u>51,602</u>	<u>399,567</u>
 Total expenditures	 <u>2,784,890</u>	 <u>250,896</u>	 <u>-</u>	 <u>321,838</u>	 <u>3,357,624</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>4,627</u>	 <u>(88,132)</u>	 <u>143,419</u>	 <u>(127,851)</u>	 <u>(67,937)</u>
 Other financing sources (uses)					
Bus note proceeds	-	-	-	123,114	123,114
Sales of equipment and materials	7,062	-	-	-	7,062
Operating transfers in	-	86,038	-	-	86,038
Operating transfers out	-	-	-	(86,038)	(86,038)
	<u>7,062</u>	<u>86,038</u>	<u>-</u>	<u>37,076</u>	<u>130,176</u>
 Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	 11,689	 (2,094)	 143,419	 (90,775)	 62,239
 Fund balances beginning of year	 <u>256,592</u>	 <u>88,312</u>	 <u>-</u>	 <u>132,457</u>	 <u>477,361</u>
 Fund balances end of year	 <u><u>268,281</u></u>	 <u><u>86,218</u></u>	 <u><u>143,419</u></u>	 <u><u>41,682</u></u>	 <u><u>539,600</u></u>

See notes to financial statements.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds (Exhibit E) \$ 62,239

**Amounts reported for governmental activities in the
statement of activities are different because:**

Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities. 56,888

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	123,114	
Depreciation expense	<u>(71,471)</u>	51,643

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(123,114)	
Repayments	<u>231,038</u>	107,924

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 679

Change in net assets of governmental activities (Exhibit B) \$ 279,373

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>69,130</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	50,829
Benefits	7,868
Services	1,668
Supplies	61,521
Depreciation	<u>4,589</u>
Total operating expenses	<u>126,475</u>
Operating (loss)	<u>(57,345)</u>
Non-operating revenues:	
State sources	1,812
Federal sources	50,692
Interest income	<u>22</u>
	<u>52,526</u>
Changes in net assets	(4,819)
Net assets beginning of year	<u>12,185</u>
Net assets end of year	<u><u>7,366</u></u>

See notes to financial statements.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	69,824
Cash payments to employees for services	(58,697)
Cash payments to suppliers for goods or services	(58,881)
Net cash (used in) operating activities	<u>(47,754)</u>
Cash flows from non-capital financing activities:	
State grants received	1,812
Federal grants received	42,482
Net cash provided by non-capital financing activities	<u>44,294</u>
Cash flows from investing activities:	
Interest on investments	<u>22</u>
Net (decrease) in cash and cash equivalents	(3,438)
Cash and cash equivalents beginning of year	<u>4,477</u>
Cash and cash equivalents end of year	<u><u>1,039</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(57,345)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	4,589
Commodities used	8,210
Decrease in inventory	544
(Decrease) in accounts payable	(3,752)
	<u>(47,754)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>1,039</u></u>
Non-cash investing, capital and financing activities:	

During the year ended June 30, 2005, the District received federal commodities valued at \$8,210.

See notes to financial statements.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trusts
	<u>Scholarships</u>
	\$
Assets	
Cash	<u>9,659</u>
Total assets	<u>9,659</u>
Net Assets	
Reserved for scholarships	<u>9,659</u>
Total net assets	<u><u>9,659</u></u>

See notes to financial statements.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trusts
	Scholarships
	\$
Additions:	
Local sources:	
Miscellaneous	2,331
Total additions	2,331
Deductions:	
Support services:	
Scholarships	7,760
Total deductions	7,760
Change in net assets	(5,429)
Net assets beginning of year	15,088
Net assets end of year	9,659

See notes to financial statements.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The Allison-Bristow Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Allison and Bristow, Iowa, and agricultural area in Butler County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Allison-Bristow Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Allison-Bristow Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Butler County Assessor Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2005.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures in the Support Services and Non-Instructional Programs functions exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>37,525</u>	<u>-</u>	<u>-</u>	<u>37,525</u>
Capital assets being depreciated:				
Buildings	2,708,800	-	-	2,708,800
Furniture and Equipment	<u>319,675</u>	<u>123,114</u>	<u>-</u>	<u>442,789</u>
Total capital assets being depreciated	<u>3,028,475</u>	<u>123,114</u>	<u>-</u>	<u>3,151,589</u>
Less accumulated depreciation for:				
Buildings	972,960	47,376	-	1,020,336
Furniture and Equipment	<u>282,148</u>	<u>24,095</u>	<u>-</u>	<u>306,243</u>
Total accumulated depreciation	<u>1,255,108</u>	<u>71,471</u>	<u>-</u>	<u>1,326,579</u>
Total capital assets being depreciated, net	<u>1,773,367</u>	<u>51,643</u>	<u>-</u>	<u>1,825,010</u>
Governmental activities, capital assets, net	<u>1,810,892</u>	<u>51,643</u>	<u>-</u>	<u>1,862,535</u>
Business type activities:				
Furniture and equipment	55,064	0	-	55,064
Less accumulated depreciation	<u>45,363</u>	<u>4,589</u>	<u>-</u>	<u>49,952</u>
Business type activities capital assets, net	<u>9,701</u>	<u>(4,589)</u>	<u>-</u>	<u>5,112</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				24,095
Unallocated				<u>47,376</u>
				<u>71,471</u>
Business Type activities:				
Food service operations				<u>4,589</u>

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$83,394, \$85,805, and \$84,947 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$97,069 for year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) General Obligation Bonds

Details of the District's General Obligation Bonds issued June 1, 2001 are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates %</u>	<u>Principal \$</u>	<u>Interest \$</u>	<u>Total \$</u>
2006	4.15	155,000	13,363	168,363
2007	4.20	<u>165,000</u>	<u>6,930</u>	<u>171,930</u>
Total		<u>\$320,000</u>	<u>20,293</u>	<u>340,293</u>

(7) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	<u>General Obligation Bonds</u>	<u>Capital Loan Notes</u>	<u>School Bus Loan</u>	<u>Total</u>
Balance beginning of year	\$465,000	90,000	-	555,000
Additions	-	-	123,114	123,114
Reductions	<u>145,000</u>	<u>45,000</u>	<u>41,038</u>	<u>231,038</u>
Balance end of year	<u>\$320,000</u>	<u>45,000</u>	<u>82,076</u>	<u>447,076</u>

(8) Capital Loan Notes

Details of the District's June 30, 2005 Capital Loan Note indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	4.90%	<u>\$45,000</u>	<u>2,205</u>	<u>47,205</u>

Payments are to be made with proceeds from the District's voted Physical Plant and Equipment levy.

(9) Iowa School Cash Anticipation Program (ISCAP)

The District participated in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05A	6/30/04	6/30/05	\$ -	-	-	-
2004-05B	1/28/05	1/27/06	174,502	2,364	174,000	2,341
2005-06A	6/30/05	6/30/06	486,144	104	484,000	81
Total			<u>\$660,646</u>	<u>2,468</u>	<u>658,000</u>	<u>2,422</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2005.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.463%
2004-05B	3.500	2.280
2005-06A	3.500	2.903

(10) School Bus Notes

The District borrowed \$123,114 during the year ended June 30, 2005 for the purchase of two school buses. The loan will be paid off in three equal payments of \$41,038, the first of which was made during the current fiscal year. There is no interest on this loan.

REQUIRED SUPPLEMENTARY INFORMATION

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	Actual	Actual	Actual	Original	Final	Variance -
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,862,638	69,152	1,931,790	1,783,971	1,783,971	147,819
State sources	1,321,494	1,812	1,323,306	1,346,639	1,346,639	(23,333)
Federal sources	105,555	50,692	156,247	139,000	139,000	17,247
Total revenues	<u>3,289,687</u>	<u>121,656</u>	<u>3,411,343</u>	<u>3,269,610</u>	<u>3,269,610</u>	<u>141,733</u>
Expenditures:						
Instruction	1,818,221	-	1,818,221	2,115,000	2,115,000	296,779
Support services	1,128,606	-	1,128,606	832,154	832,154	(296,452)
Non-instructional programs	11,230	126,475	137,705	-	90,000	(47,705)
Other expenditures	399,567	-	399,567	367,896	467,896	68,329
Total expenditures	<u>3,357,624</u>	<u>126,475</u>	<u>3,484,099</u>	<u>3,315,050</u>	<u>3,505,050</u>	<u>20,951</u>
Excess (deficiency) of revenues over (under) expenditures	(67,937)	(4,819)	(72,756)	(45,440)	(235,440)	162,684
Other financing sources (uses)	<u>130,176</u>	<u>-</u>	<u>130,176</u>	<u>85,000</u>	<u>-</u>	<u>130,176</u>
Excess (deficiency) of revenues and other financiag sources over (under) expenditures and other financing uses	62,239	(4,819)	57,420	39,560	(235,440)	292,860
Balance beginning of year	<u>477,361</u>	<u>12,185</u>	<u>489,546</u>	<u>507,856</u>	<u>507,856</u>	<u>(18,310)</u>
Balance end of year	<u><u>539,600</u></u>	<u><u>7,366</u></u>	<u><u>546,966</u></u>	<u><u>547,416</u></u>	<u><u>272,416</u></u>	<u><u>274,550</u></u>

See accompanying independent auditor's report.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$190,000.

During the year ended June 30, 2005, expenditures in the support services and non-instructional program functions exceeded the amounts budgeted. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2005

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	14,068	13,215	11,693	38,976
Property tax receivable:				
Current year	1,567	-	1,571	3,138
Succeeding year	100,000	-	78,533	178,533
Other receivables	<u>-</u>	<u>1,620</u>	<u>-</u>	<u>1,620</u>
Total assets	<u>115,635</u>	<u>14,835</u>	<u>91,797</u>	<u>222,267</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	-	-	2,052	2,052
Deferred revenue:				
Succeeding year property tax	<u>100,000</u>	<u>-</u>	<u>78,533</u>	<u>178,533</u>
	<u>100,000</u>	<u>-</u>	<u>80,585</u>	<u>180,585</u>
Fund equity:				
Unreserved, undesignated fund balance	<u>15,635</u>	<u>14,835</u>	<u>11,212</u>	<u>41,682</u>
	<u>15,635</u>	<u>14,835</u>	<u>11,212</u>	<u>41,682</u>
Total liabilities and fund equity	<u>115,635</u>	<u>14,835</u>	<u>91,797</u>	<u>222,267</u>

See accompanying independent auditor's report.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2005

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	74,970	-	75,187	150,157
Other	1,674	41,890	266	43,830
Total revenues	76,644	41,890	75,453	193,987
Expenditures:				
Instruction:				
Regular instruction	33,885	-	-	33,885
Co-curricular instruction	-	52,482	-	52,482
Support services:				
Administration services	-	-	6,462	6,462
Plant operation and maintenance	35,671	-	5,399	41,070
Student transportation	9,877	-	123,114	132,991
Non-instructional programs:				
Food service operations	3,346	-	-	3,346
Other expenditures:				
Facility acquisition and construction services	-	-	51,602	51,602
Total expenditures	82,779	52,482	186,577	321,838
Excess (deficiency) of revenues over (under) expenditures	(6,135)	(10,592)	(111,124)	(127,851)
Other financing sources(uses):				
Bus loan proceeds	-	-	123,114	123,114
Transfer to Debt Service Fund	-	-	(86,038)	(86,038)
	-	-	37,076	37,076
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	(6,135)	(10,592)	(74,048)	(90,775)
Fund balances beginning of year	21,770	25,427	85,260	132,457
Balance end of year	15,635	14,835	11,212	41,682

See accompanying independent auditor's report.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Instrumental Music	53	848	932	(31)
Vocal Music	398	100	-	498
Computers for Education	3,341	50	649	2,742
Drama	2,723	1,450	244	3,929
Athletics	7,870	16,463	25,218	(885)
Junior High Student Council	140	242	-	382
Senior High Student Council	(4)	4	-	-
Cheerleaders	570	-	570	-
Honor Society	483	91	-	574
Industrial Technology	-	260	-	260
Consumer Science	423	871	389	905
Class of 2003	343	-	343	-
Seniors	571	-	571	-
Juniors	265	-	265	-
Sophomores	2,994	-	2,994	-
Freshmen	2,657	-	2,657	-
Eighth Grade	2,462	2,951	4,520	893
Seventh Grade	1,631	2,951	2,185	2,397
Sixth Grade	886	2,951	1,997	1,840
Fifth Grade	-	2,951	1,941	1,010
Interest	(167)	109	-	(58)
School Store	(47)	2,270	1,627	596
Pop Machine	1,660	3,491	2,805	2,346
TAG	463	250	585	128
Yearbook	(4,288)	3,587	1,990	(2,691)
Total	25,427	41,890	52,482	14,835

See accompanying independent auditor's report.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Private Purpose Trusts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Harms Scholarship	5,086	222	250	5,058
Burkhardt Scholarship	3,800	109	3,909	-
Allison-Bristow Scholarship	2,714	1,989	3,600	1,103
North Scholarship	1,488	10	-	1,498
Van Raden Scholarship	2,000	-	-	2,000
Total	15,088	2,330	7,759	9,659

See accompanying independent auditor's report.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Local sources:				
General	1,076,200	1,029,686	1,019,507	863,719
Special revenue/debt service	311,731	329,999	253,809	287,795
Capital projects	143,333	-	-	-
	<u>1,531,264</u>	<u>1,359,685</u>	<u>1,273,316</u>	<u>1,151,514</u>
State sources:				
General	1,321,494	1,243,906	1,290,822	1,366,330
Special revenue/debt service	-	524	774	829
	<u>1,321,494</u>	<u>1,244,430</u>	<u>1,291,596</u>	<u>1,367,159</u>
Federal sources:				
General	105,555	125,878	135,079	87,760
Total	<u><u>2,958,313</u></u>	<u><u>2,729,993</u></u>	<u><u>2,699,991</u></u>	<u><u>2,606,433</u></u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133

To the Board of Education of the
Allison-Bristow Community School District:

Compliance

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Allison-Bristow Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statement listed in the table of contents, and have issued our report thereon date November 8, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allison-Bristow Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether, Allison-Bristow Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Allison-Bristow Community School District and other parties to whom Allison-Bristow Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Allison-Bristow Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

November 8, 2005

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

05-I-A SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

05-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-II-B Certified Budget - Expenditures for the year ended June 30, 2005, exceeded the amended certified budget amounts in the support services and non-instructional program functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

05-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

05-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

ALLISON-BRISTOW COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:
(continued) :

- 05-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 05-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 05-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 05-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 05-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 05-II-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.